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Approved For Release 1999/09/02 : CIA-RDP79-01157A000100100006-0

27 August 1951

MEMORANDUM FOR: The Director of Central Intelligence

FROM: Assistant Director, Research and Reports

SUBJECT: Agenda item for next NSC meeting, Wednesday, August 29—
Proposed NSC approval of export of US auto parts to Poland
via Denmark in exchange for Polish coal for the Danes

1. I took a position on this issue at the NSC Senior Staff meeting on Friday, August 24. It will be presented to the NSC for decision next Wednesday.

2. The issue. The Danes have a trade agreement with the Poles under which Denmark agreed to supply various commodities including \$1,342,000 worth of US manufactured automotive and light truck spare parts in exchange for 2,000,000 tons of Polish coal. We have not approved the export of the spare parts, and the Poles are accordingly holding up coal deliveries. The Danes start negotiations for next year's agreement with the Poles on August 27.

3. Problem. Should NSC approve the export of the parts in order to get Denmark her coal? If this is to be done, it should be done at once to assist the Danes in their current negotiation with the Poles.

4. Agency positions. (a) State and ECA favor approving the export, but they have failed in repeated attempts to get the concurrence of other agencies through the regular interdepartmental machinery. They have therefore brought the matter up directly to the NSC. Their reasons: (1) Denmark desperately needs the coal which ECA maintains cannot be obtained elsewhere. (2) The Danes adherence to international export control agreements is very wobbly and they will probably stop cooperating with us if we deny this application. This may be the first in a series of European defections from the international control agreement. (3) The automotive parts are not highly strategic since they are for light vehicles. Neither parts nor vehicles in this category are on any international control list and the vehicles are not on the US control list although the parts are on list II B. (The US would, in fact, prohibit the export direct to Poland of both parts and vehicles.)

(b) Defense opposes granting the license. They agree with CIA that this parts shipment is much more strategic than State believes. They recognize the seriousness of the coal problem but feel that some way could be found to supply at least a major part of the coal from some other source. They believe that to grant the license would set a very bad precedent which would encourage the Russians to make very much more effective use of Polish coal as a bargaining weapon to defeat our export control program. The JCS representative agrees with Defense.

(c) Commerce is very concerned about the domestic political repercussions of granting this license, but apart from pointing this out probably will not fight the action vigorously.

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(d) CIA (Millikan) presented to the Senior Staff evidence to indicate that the parts shipment is of considerable strategic importance. We took no position on the domestic or foreign political issues but the effect of our evidence was to support the position of Defense. A brief memo summarizing the points we made is attached. This memo has been informally transmitted to Mr. Frank Nash, Defense Senior Staff representative, at his request.

(e) Treasury, NSRB, and OMB are all unhappy but undecided about the problem.

5. Recommended position. It is not CIA's function to express a view about the issues of political policy involved, but we should stress again our conviction that this parts shipment, which would activate enough light vehicles to motorize several Polish divisions, is much more strategic than its present export control rating indicates, and reiterate our estimate that the granting of this license will cause other further grave difficulties for our export control program.

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MAX F. MILLIKAN

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